

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Jackson County Medical Care Facility	County Jackson
Audit Date December 31, 2005	Opinion Date February 1, 2006	Date Accountant Report Submitted To State: February 28, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 750 Trade Centre Way, Suite 300	City Portage	State MI	ZIP 49002
Accountant Signature 			

# **Jackson County Medical Care Facility**

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**Financial Report  
with Additional Information  
December 31, 2005**

# Jackson County Medical Care Facility

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## Independent Auditor's Report

To the Jackson County Department of  
Human Services Board  
Jackson County Medical Care Facility

We have audited the accompanying balance sheet of Jackson County Medical Care Facility (a component unit of the County of Jackson) as of December 31, 2005 and 2004 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson County Medical Care Facility at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The *Governmental Accounting Standards Board* has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

February 1, 2006

# Jackson County Medical Care Facility

## Balance Sheet

	December 31, 2005	December 31, 2004
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 1,036,068	\$ 1,820,510
Residents accounts receivable (Note 3)	1,341,556	986,967
Other receivables - County (Note 6)	123,000	123,000
Other current assets	269,017	155,856
Total current assets	2,769,641	3,086,333
<b>Assets Limited as to Use</b> (Note 2)	364,640	242,350
<b>Property and Equipment</b> (Note 4)	17,491,297	17,940,296
<b>Other</b> - Bond issue costs	136,381	-
Total assets	<b>\$ 20,761,959</b>	<b>\$ 21,268,979</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 125,436	\$ 125,803
Current portion of long-term debt (Note 5)	405,000	325,000
Current portion of deferred capital lease	9,048	8,565
Funds held for residents	11,892	10,861
Estimated third-party payor settlements	175,000	175,000
Accrued liabilities and other:		
Accrued compensation and related liabilities	248,513	128,067
Accrued compensated absences	281,394	272,711
Accrued interest	117,599	136,142
Deferred revenue	-	60,625
Total current liabilities	1,373,882	1,242,774
<b>Long-term Debt</b> (Note 5)	14,385,714	14,625,000
<b>Deferred Revenue</b> - Capital lease	533,116	542,164
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	2,700,583	2,990,296
Unrestricted	1,768,664	1,868,745
Total net assets	4,469,247	4,859,041
Total liabilities and net assets	<b>\$ 20,761,959</b>	<b>\$ 21,268,979</b>

# Jackson County Medical Care Facility

## Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2005	2004
<b>Operating Revenue</b>		
Net service revenue	\$ 12,106,691	\$ 12,223,037
Other operating revenue	104,883	109,172
Proportionate share reimbursement	367,678	407,830
Total operating revenue	12,579,252	12,740,039
<b>Operating Expenses</b>		
Salaries	6,949,323	6,697,695
Other expenses	5,254,389	4,947,172
Total operating expenses	12,203,712	11,644,867
<b>Operating Income</b>	375,540	1,095,172
<b>Other Income (Expense)</b>		
Interest income	4,505	6,287
Other income	8,565	8,108
Interest expense	(778,404)	(833,821)
Total other expense	(765,334)	(819,426)
<b>(Decrease) Increase in Net Assets</b>	(389,794)	275,746
<b>Net Assets - Beginning of year</b>	4,859,041	4,583,295
<b>Net Assets - End of year</b>	<b>\$ 4,469,247</b>	<b>\$ 4,859,041</b>

# Jackson County Medical Care Facility

## Statement of Cash Flows

	Year Ended	
	December 31, 2005	December 31, 2004
<b>Cash Flows from Operating Activities</b>		
Cash received from residents and third-party payors	\$ 11,752,102	\$ 12,127,456
Cash paid to employees and suppliers	(11,658,450)	(11,322,126)
Cash received from Proportionate Share Program	307,053	353,794
Other operating receipts	104,883	109,172
Net cash provided by operating activities	505,588	1,268,296
<b>Cash Flows from Investing Activities</b>		
Resident trust deposits	1,031	797
Interest received	4,505	6,287
Net cash provided by investing activities	5,536	7,084
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds received on bonds	14,000,000	-
Principal payments on long-term debt	(325,000)	(275,000)
Interest paid on long-term debt	(752,807)	(833,821)
Purchase of property and equipment	(95,469)	(17,612)
Bond costs	(140,117)	-
Cash received on prepaid lease	-	120,000
Payment to bond escrow account	(13,859,883)	-
Net cash used in capital and related financing activities	(1,173,276)	(1,006,433)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(662,152)	268,947
<b>Cash and Cash Equivalents - Beginning of year</b>	2,062,860	1,793,913
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,400,708</b>	<b>\$ 2,062,860</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Current assets	\$ 1,036,068	\$ 1,820,510
Assets limited as to use	364,640	242,350
Total cash	<b>\$ 1,400,708</b>	<b>\$ 2,062,860</b>

# Jackson County Medical Care Facility

## Statement of Cash Flows (Continued)

	Year Ended	
	December 31, 2005	December 31, 2004
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 375,540	\$ 1,095,172
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	544,468	542,667
Provision for bad debts	34,661	45,000
Amortization of bond issue costs	3,636	-
(Increase) decrease in assets:		
Resident accounts receivable	(389,250)	(140,581)
Other current assets	(113,161)	25,205
Increase (decrease) in liabilities:		
Accounts payable	(267)	(24,184)
Other accrued liabilities	110,586	(220,947)
Deferred revenue	(60,625)	(54,036)
Net cash provided by operating activities	<u>\$ 505,588</u>	<u>\$ 1,268,296</u>

There were no significant noncash investing, capital, and financing activities for 2005 and 2004.



# Jackson County Medical Care Facility

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## Notes to Financial Statements December 31, 2005 and 2004

### **Note 1 - Nature of Business and Significant Accounting Policies**

Jackson County Medical Care Facility (the "Facility") is a 194-bed, long-term care facility owned and operated by Jackson County (the "County"). It is governed by the Jackson County Department of Human Services Board. This board consists of three members, two of whom are appointed by the County Board of Commissioners and one appointed by the Michigan governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to local governmental units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

**Enterprise Fund Accounting** - The Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Basis for Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provides a comprehensive one-line look at the Facility's financial activities.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

# Jackson County Medical Care Facility

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## Notes to Financial Statements December 31, 2005 and 2004

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Assets Limited as to Use** - Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the board for future capital improvement, over which the board retains control, and may, at its discretion, subsequently use for other purposes.

**Property and Equipment** - Property and equipment amounts are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs of maintenance and repairs are charged to expense when incurred.

**Compensated Absences** - Compensated absences are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

**Resident Funds** - The Facility maintains various bank accounts for deposits and disbursements for residents' personal expenses. These funds are assets of the residents.

**Proportionate Share Reimbursement Program** - During the years ended December 31, 2005 and 2004, the Facility participated in this program sponsored by the State of Michigan.

In 2005, this program was discontinued by the State. The Facility received one payment in June 2005. The transaction was recorded into revenue in relation to the State fiscal year ended September 30, 2005.

In 2004, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2003. The second transaction in October was for the State fiscal year ended September 30, 2004 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

**Classification of Net Assets** - Net assets of the Facility are classified into two components. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation, and reduced by current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of investment in capital assets, net of related debt, or restricted.

# Jackson County Medical Care Facility

## Notes to Financial Statements December 31, 2005 and 2004

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Service Revenue** - The Facility's principal activity is operating a long-term health care facility for the elderly. Revenue is derived from participation in Medicaid and Medicare programs, as well as from private pay residents. Amounts earned under the Medicaid and Medicare programs are subject to review and audit by the third-party payors, and make up a significant portion of revenue earned during each year, as follows:

	<u>2005</u>	<u>2004</u>
Percent of revenue:		
Medicaid	82 %	84 %
Medicare	10 %	9 %

The payment methodology related to these programs is based on cost and clinical assessments that are subject to review and final approval by Medicaid and Medicare. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Medicaid reimburses the Facility for inresident routine service costs, on a per diem basis, prospectively determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

**Operating Revenues and Expenses** - The Facility's statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Facility's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonexchange revenues, including taxes, interest, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Interest expense is reported as a nonoperating expense.

# Jackson County Medical Care Facility

## Notes to Financial Statements December 31, 2005 and 2004

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Deferred Revenue - Capital Lease** - The Facility currently has a deferred lease which is amortized into income over the life of the lease of 30 years.

### Note 2 - Deposits

The Facility's deposits and investments are composed of the following:

	2005		2004	
	Cash and Cash Equivalents	Assets Limited as to Use	Cash and Cash Equivalents	Assets Limited as to Use
Deposits:				
County Treasurer	\$ 817,786	\$ 364,640	\$ 1,611,112	\$ 242,350
Bank	218,282	-	209,398	-
Total	<u>\$ 1,036,068</u>	<u>\$ 364,640</u>	<u>\$ 1,820,510</u>	<u>\$ 242,350</u>

**Cash - County Treasurer** - These funds were under the control of the County Treasurer, who deposited these funds with a bank.

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Facility's deposits and investments are subject to several types of risks including custodial credit risk of bank deposits and investments, interest rate risk, credit risk, and concentration of credit risk. It is impractical to determine the amount of risk associated with the Facility's funds as these funds are only a portion of the total County deposits.

# Jackson County Medical Care Facility

## Notes to Financial Statements December 31, 2005 and 2004

### Note 3 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	2005	2004
Resident accounts receivable	\$ 1,416,126	\$ 1,261,912
Uncollectible accounts	(74,570)	(75,781)
Medicaid interim payment advances	-	(199,164)
Net resident accounts receivable	<u>\$ 1,341,556</u>	<u>\$ 986,967</u>

The Facility provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	2005	2004
Medicare	25 %	19 %
Medicaid	62 %	69 %
Other payors	13 %	12 %
Total	<u>100 %</u>	<u>100 %</u>

### Note 4 - Property and Equipment

Cost of property and equipment and related depreciable lives for December 31, 2005 are summarized below:

	2004	Additions	2005	Depreciable Life - Years
Building and Improvements	\$ 18,076,242	\$ -	\$ 18,076,242	20-40
Movable equipment	<u>1,061,378</u>	<u>95,469</u>	<u>1,156,847</u>	5-20
Total	19,137,620	95,469	19,233,089	
Less accumulated depreciation:				
Building and improvements	935,180	449,816	1,384,996	
Moveable equipment	<u>262,144</u>	<u>94,652</u>	<u>356,796</u>	
Total	<u>1,197,324</u>	<u>\$ 544,468</u>	<u>1,741,792</u>	
Net carrying amount	<u>\$ 17,940,296</u>		<u>\$ 17,491,297</u>	

# Jackson County Medical Care Facility

## Notes to Financial Statements December 31, 2005 and 2004

### Note 4 - Property and Equipment (Continued)

Cost of capital assets and related depreciable lives for December 31, 2004 are summarized below:

	2003	Additions	2004	Depreciable Life - Years
Building and improvements	\$ 18,076,242	\$ -	\$ 18,076,242	20-40
Moveable equipment	1,043,766	17,612	1,061,378	5-20
Total	19,120,008	17,612	19,137,620	
Less accumulated depreciation:				
Building and improvements	485,364	449,816	935,180	
Moveable equipment	169,293	92,851	262,144	
Total	654,657	\$ 542,667	1,197,324	
Net carrying amount	\$ 18,465,351		\$ 17,940,296	

### Note 5 - Long-term Debt

Long-term liability activity for the year ended December 31, 2005 was as follows:

	2004	Current Year Additions	Current Year Reductions	2005	Amounts Due Within One Year
Jackson County Building Authority Refunding Bonds, Series 2005	\$ -	\$ 14,000,000	\$ -	\$ 14,000,000	\$ 80,000
Jackson County Building Authority Bonds, Series 2000	14,950,000	-	(13,225,000)	1,725,000	325,000
Less deferred amount on refinancing	-	(959,883)	25,597	(934,286)	-
Total long-term debt	\$ 14,950,000	\$ 13,040,117	\$ (13,199,403)	\$ 14,790,714	\$ 405,000

Long-term liability activity for the year ended December 31, 2004 was as follows:

	2003	Current Year Additions	Current Year Reductions	2004	Amounts Due Within One Year
Jackson County Building Authority Bonds, Series 2000	\$ 15,225,000	\$ -	\$ (275,000)	\$ 14,950,000	\$ 325,000

# Jackson County Medical Care Facility

## Notes to Financial Statements December 31, 2005 and 2004

### Note 5 - Long-term Debt (Continued)

The bonds payable are summarized as follows:

- The Facility entered into a capital lease arrangement with the County of Jackson, in which the Facility will make lease payments to the County equal to the required principal and interest payments on the bonds acquired by the County.
- The County advanced refunded a portion of the Jackson County Building Authority, Series 2000 bonds payable in the amount of \$12,900,000 by issuing Jackson County Building Authority Refunding Bonds, Series 2005. The remaining debt totaled \$1,725,000 as of December 31, 2005. Interest payments are to be made semiannually beginning on November 1, 2005 with an interest rate of 5.5 percent. Principal payments are due annually beginning May 1, 2006 and ending May 1, 2010.
- The Building Authority Refunding Bonds, Series 2005 bonds issued for \$14,000,000 with interest payments made semiannually beginning November 1, 2005 with interest rates ranging from 3.125 percent to 5.125 percent. Principal payments are due annually, beginning on May 1, 2006, ending on May 1, 2030.

The following is a schedule by years of bond principal and interest as of December 31, 2005:

Year Ending December 31	Bonds Payable	
	Principal	Interest
2006	\$ 405,000	\$ 695,409
2007	410,000	674,903
2008	410,000	654,265
2009	465,000	632,059
2010	470,000	608,196
2011 to 2015	2,735,000	2,726,057
2016 to 2020	3,185,000	2,132,690
2021 to 2025	3,590,000	1,407,110
2026 to 2030	4,055,000	528,399
Total payments	<u>\$ 15,725,000</u>	<u>\$ 10,059,088</u>

# Jackson County Medical Care Facility

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## Notes to Financial Statements December 31, 2005 and 2004

### **Note 5 - Long-term Debt (Continued)**

During 2005, Jackson County advance refunded a portion of the Jackson County Building Authority Bonds, Series 2000 by issuing \$12,900,000 of Jackson County Building Authority Refunding Bonds, Series 2005. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the balance sheet. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by \$889,624 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$538,588.

As of December 31, 2005, outstanding Jackson County Building Authority Bonds, Series 2000 in the amount of \$12,900,000 are considered to be defeased.

### **Note 6 - Related Party Transactions**

**Postretirement Benefits** - The Facility provides health and life insurance benefits for retired employees. Substantially all of the Facility's employees may become eligible for benefits if they reach normal retirement age while working for the Facility. Currently, 104 retirees are receiving benefits. Under an agreement with the County, the Facility is responsible for the costs of health care benefits for all employees who retired during or subsequent to 1989. Included in the Facility's annual expense is approximately \$420,000 of costs paid for retirees' health and life insurance for the years ended December 31, 2005 and 2004, respectively.

At December 31, 2005 and 2004, the Facility's balance sheet reflects a receivable from the County of \$123,000 for a duplicate payment made by the Facility for health insurance costs applicable to 1997.

**Maintenance of Effort (M.O.E.)** - M.O.E. is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid patient day approved by the State during that month. Expenses relating to M.O.E. are not included in these financial statements as they were paid directly by the County.



# Jackson County Medical Care Facility

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## Notes to Financial Statements December 31, 2005 and 2004

### **Note 7 - Defined Benefit Multiple-employer Pension Plan**

**Plan Description** - The Facility participates in the Jackson County Employees' Retirement System, which is a multiple-employer defined benefit pension plan that covers individuals who are employed for personal service in a membership portion, as defined in the retirement system by-laws of the County, who work 960 or more hours during the County's fiscal year, and elect to receive coverage. The Plan provides retirement benefits, as well as death and disability benefits, to plan members and their beneficiaries. The Jackson County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the plan. That report may be obtained by writing Jackson County Employees' Retirement System Board of Trustees, County Tower Building, 120 West Michigan Avenue, Jackson, MI 49201.

**Funding Policy** - The obligation to contribute to and maintain the system for covered employees was established in the Jackson County Employees' Retirement System, as amended January 1, 1996, and requires an employee contribution of 2.5 percent of payroll. The Facility's contribution requirement is actuarially determined and is equal to amortize the unfunded actuarial accrued liability over 10 years. The Facility has not been required to contribute to the plan for the plan years ended December 31, 2005, 2004, and 2003.

### **Note 8 - Risk Management**

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for medical benefits claims and workers' compensation claims, and participates in the County's insurance plan with the Michigan Municipal Risk Management risk pool for claims relating to general (including malpractice) and auto liability, auto physical damage, and property loss claims.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

## **Additional Information**

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**Plante & Moran, PLLC**

Suite 300  
750 Trade Centre Way  
Portage, MI 49002  
Tel: 269.567.4500  
Fax: 269.567.4501  
plantemoran.com

To the Jackson County Department of  
Human Services Board  
Jackson County Medical Care Facility

We have audited the financial statements of Jackson County Medical Care Facility as of December 31, 2005 and 2004. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net service revenue and operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

February 1, 2006

A member of



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# Jackson County Medical Care Facility

## Schedule of Net Service Revenue

	Year Ended December 31	
	2005	2004
<b>Skilled Nursing Services</b>		
Daily room revenue:		
Medicaid	\$ 9,896,484	\$ 10,242,203
Medicare	1,267,355	1,036,875
Private pay and other	949,914	922,387
Total daily room revenue	12,113,753	12,201,465
Pharmacy	412,610	321,402
Therapy services	1,144,818	942,353
Other ancillary services	199,923	177,422
Total	1,757,351	1,441,177
Total skilled nursing services revenue	13,871,104	13,642,642
Revenue deductions:		
Provision for contractual discounts	(1,729,752)	(1,374,605)
Bad debt expense	(34,661)	(45,000)
Total revenue deductions	(1,764,413)	(1,419,605)
<b>Net Service Revenue</b>	<b>\$ 12,106,691</b>	<b>\$ 12,223,037</b>

# Jackson County Medical Care Facility

## Schedule of Operating Expenses

	Year Ended December 31			
	2005			2004
	Salaries	Other	Total	Total
Fringe benefits	\$ -	\$ 2,175,213	\$ 2,175,213	\$ 1,957,626
Administration	438,892	313,249	752,141	747,436
Plant operations	185,801	136,938	322,739	322,046
Utilities	-	278,337	278,337	265,292
Laundry	94,854	128,389	223,243	194,684
Housekeeping	342,921	107,975	450,896	429,784
Dietary	665,586	567,788	1,233,374	1,171,365
Medical records	-	21,600	21,600	24,106
Social services	135,631	5,030	140,661	106,358
Diversional therapy	168,883	14,564	183,447	178,834
Other ancillary services	-	34,245	34,245	23,539
Therapy services	383,209	76,723	459,932	416,603
Pharmacy	-	353,494	353,494	273,605
Nursing	4,451,515	492,640	4,944,155	4,880,846
Staff development	82,031	-	82,031	110,076
Depreciation and amortization	-	548,204	548,204	542,667
2005 totals	<u>\$ 6,949,323</u>	<u>\$ 5,254,389</u>	<u>\$ 12,203,712</u>	
2004 totals	<u>\$ 6,697,695</u>	<u>\$ 4,947,172</u>		<u>\$ 11,644,867</u>